(ii) It is in consonance with the objective of the Government to expand the tax base by phasing out all exemptions that are considered economically in efficient and inequitable.

(iii) income-tax is a tax on profits and there is no rationale for exempting profit-making co-operative banks from payment of income-tax.

(iv) Expert committees have recommended the withdrawal of tax benefits under this Section.

(c) Yes, Sir.

(d) The representation of Indian Banks' Association has been duly considered and has not been accepted in view of the reasons mentioned above.

Scrapping of FBT

1553. SHRI MAHENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that collections from the Fringe Benefit Tax (FBT) in the period April 1,2006 to January 31, 2007 stood at Rs. 3,984 crore, a tiny part of the Rs. 1,56,429 crores collected as direct taxes during this period;

(b) whether the distortionary impact of the tax is much larger-so large that even larger collections would not justify them;

(c) whether Government would consider to scrap the Fringe Benefit Tax; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The amount of FBT collected til! 31.1.2007 is Rs. 3,948 crore.

(b) There is no economic basis for holding the view that the Fringe Benefit Tax is distortionary.

(c) No, Sir.

(d) Since FBT is justified both on the principles of vertical and horizontal equity, there is no case for scrapping it.

Use of foreign exchange reserve on infrastructure building

†1554. SHRI UDAY PRATAP SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether Government are contemplating on making use of foreign exchange reserve in construction of basic infrastructure of the country;

(b) if so, the details thereof;

(c) whether Government are also contemplating on providing foreign exchange to some major industrialists; and

(d) the amount of total foreign exchange reserve available in the country at present?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b)Yes, Sir, Government is examining one of the recommendations of the Deepak Parekh Committee on financing infrastructure i.e. to use a small part of the foreign exchange reserves without the risk of monetary expansion. The Committee has suggested the establishment of two wholly-owned overseas subsidiaries of IIFCL with the following objectives:

(i) to borrow funds from the RBI and lend to Indian companies implementing infrastructure projects in India, or to co-finance their ECBs for such projects, solely for capital expenditure outside India; and

(ii) to borrow funds from the RBI, invest such funds in highly rated collateral securities, and provide 'credit wrap' insurance to infrastructure projects in India for raising resources in international markets.

The loans by RBI to these two subsidiary companies will be guaranteed by the Government of India and the RBI will be assured of a return higher than the average rate of return on its incremental investment. Government proposes to examine the legal and regulatory aspects of the

†Original notice of the question was received in Hindi